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FISCAL IMPACT STATEMENT

LS 6351

BILL NUMBER: SB 100

NOTE PREPARED: Jan 31, 2006

BILL AMENDED: Jan 24, 2006

SUBJECT: Charity Gaming.

FIRST AUTHOR: Sen. Jackman

FIRST SPONSOR: Rep. Whetstone

BILL STATUS: As Passed Senate

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: (Amended) The bill changes the definition of "bona fide political organization" as the term is used in the Charity Gaming Law to specifically include, rather than exclude, a candidate's committee. It authorizes the Commissioner of the Department of State Revenue to issue annual raffle licenses. It also provides that an annual raffle license authorizes not more than five raffle events in a calendar year. The bill allows a qualified organization that is a bona fide political organization to conduct an allowable event in any county.

Effective Date: July 1, 2006.

Explanation of State Expenditures: The bill authorizes candidates' committees to conduct charity gaming events and establishes a new annual raffle license allowing a licensee to conduct up to five raffle events during a year. The Department of State Revenue (DOR) could potentially incur additional expenses related to administering charity gaming by candidates' committees and administering the new annual raffle license. The DOR's current level of resources should be sufficient to implement these additional administrative requirements.

Explanation of State Revenues: (Revised) *Summary:* The changes to the charity gaming statutes and their potential fiscal impact are as follows.

(1) The bill allows a candidate's committee to qualify for charity gaming licenses to conduct bingo events, charity game nights, raffles, door prize drawings, festivals, and card tournaments, and to sell pull tabs, punchboards, and tip boards. By increasing the pool of qualified organizations that may conduct charity gaming, the bill could increase revenue from Charity Gaming License fees and the Charity Gaming Excise Tax.

However, the extent of this increase is indeterminable. The actual impact on license fee and excise tax revenue would depend upon the response by these entities, and could be reduced to the extent that charity gaming by candidates' committees substitutes for existing charity gaming operations of civic, educational, other political, religious, senior citizens, or veterans organizations.

(2) The bill establishes a new annual raffle license allowing a licensed charity gaming organization to conduct up to five raffles during a year. The current raffle license authorizes a licensee to conduct only one raffle event. The fiscal impact of the new annual raffle license is indeterminable, with any impact likely to be minimal as raffle license fees annually total less than \$100,000. Potentially, some organizations that conduct more than one raffle per year could reduce the annual cost of fees relating to raffle licenses by obtaining the new five-affle license. However, this would depend on the number of raffles the organization conducts and the revenue generated by each raffle. Some organizations, on the other hand, may be willing to incur somewhat higher cost of license fees for the convenience of obtaining one license to conduct five raffles instead of having to obtain five separate licenses.

(3) The bill allows a bona fide political organization licensed to conduct charity gaming events to conduct events in any county. Current statute prohibits a bona fide civic, educational, political, religious, senior citizens, or veterans organization licensed to conduct charity gaming from conducting events outside the county where the organization's principal office is located. The impact of this change would depend on the extent that it allows political organizations to conduct more charity gaming events.

Background: Current law permits a bona fide civic, educational, political, religious, senior citizens, or veterans organization to hold a charity gaming license for purposes of conducting charity gaming events. Allowable charity gaming events consist of bingo, charity nights, raffles, door prize events, festivals, and sale of pull tabs, punchboards, and tip boards. In FY 2004, 2,193 charity gaming licences were issued by the DOR resulting in about \$3.8 M in license fees. (Note: A total of 698 raffle licenses were issued in FY 2004, generating \$81,625 in license fees.) The Charity Gaming License Fee is based on the total gross revenue earned: (1) during the prior year from charity gaming events conducted by a licensed organization; or (2) from the prior charity gaming event conducted by the organization, if the organization obtains a special one-time event license. The initial license fee is \$25. The subsequent license fee can range from \$25 for organizations with less than \$15,000 in charity gaming gross revenue to \$25,000 for organizations with at least \$3.0 M in charity gaming gross revenue. In FY 2004, charity gaming events resulted in approximately \$538.8 M in gross revenue, with event expenses totaling about \$463.1 M. The net proceeds retained by the charitable organizations, or given to unrelated charitable organizations, totaled about \$75.8 M.

Businesses that manufacture, distribute, or sell charity gaming devices to organizations within the state must obtain a manufacturer's or distributor's license. The manufacturer's license fee is \$3,000 annually, and the distributor's license fee is \$2,000 annually. In FY 2004, 18 manufacturer's licenses and 59 distributor's licenses were issued by the DOR resulting in \$172,000 in revenue. In addition to the license fees, the Charity Gaming Excise Tax on pull tabs, punchboards, and tip boards is based on the wholesale price of these devices when sold to organizations by distributors and manufacturers. The Charity Gaming Excise Tax resulted in approximately \$1.2 M in revenue during FY 2004. License fee and excise tax revenue is deposited in the Charity Gaming Enforcement Fund to pay the charity gaming administrative costs incurred by the DOR. Revenue remaining in the Fund after payment of administrative costs is distributed quarterly to the Build Indiana Fund.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources: Department of State Revenue, *Charity Gaming Annual Report, FY 2004*.

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